

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00
LAB-04 SIL-01 OMB-01 AGRE-00 /068 W
-----059868 201139Z /11

R 191826Z MAY 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 6643
INFO ALL EC CAPITALS
USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 01 OF 02 BRUSSELS 09726

USEEC

PASS AGRICULTURE ELECTRONICALLY

PARIS ALSO FOR USOECD

GENEVA ALSO FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: 1978-79 PRICE PACKAGE - OILSEEDS SECTOR

REF: (A) BRUSSELS 9192; (B) BRUSSELS 8744; (C) BRUSSELS 773

1. MISSION OFFICER MET WITH SCHIRATTI, HEAD OF THE OIL-SEEDS DIVISION IN DG-VI, TO DISCUSS SEVERAL ASPECTS OF THE RECENT 1978/79 PRICE DECISIONS (REF A), IN PARTICULAR THE POSSIBILITY THAT THE COMMISSION MIGHT FIX RULES FOR THE APPLICATION OF COUNTERVAILING DUTIES TO OILSEED MEAL. SCHIRATTI CONFIRMED OUR ANALYSIS OF THE COMMISSION'S INTENTIONS AS REPORTED REF B AS FOLLOWS. GENERAL AUTHORIZATION TO APPLY QUOTE COMPENSATORY AMOUNTS UNQUOTE ON LIMITED OFFICIAL USE

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IMPORTS OF OILSEED MEAL ALREADY EXISTS UNDER THE 1966 REGULATION ESTABLISHING THE CAP FOR THE FATS AND OIL SECTOR, REGULATION NO. 136/66, WHICH PROVIDES FOR THE APPLICATION OF THESE AMOUNTS WHERE IMPORTS PREJUDICE OR THREATEN TO PREJUDICE EC PRODUCERS AND WHERE, AS A RESULT OF DIRECT OR INDIRECT SUBSIDIES OR EQUIVALENT MEASURES, A SITUATION HAS ARISEN WHICH THREATENS OR THREATENS TO CAUSE

SERIOUS PREJUDICE TO EC PRODUCERS. AS NOTED IN REF B, IMPLEMENTING RULES FOR THE FIRST OPTION (SAFEGUARD) HAVE ALREADY BEEN LAID DOWN IN 1971 BY REGULATION NO. 1076/71. THUS, THE COMMISSION WILL ONLY BE EXAMINING THE POSSIBILITY OF DEVELOPING IMPLEMENTING RULES FOR THE APPLICATION OF THE COUNTERVAILING DUTY OPTION. EXISTING EC RULES GOVERNING THIS OPTION, ESTABLISHED BY COMMISSION REGULATION 143/77, APPLY ONLY TO VEGETABLE OILS.

2. IN RESPONSE TO OUR DIRECT QUESTION, SCHIRATTI SAID THAT HE DID NOT SEE ANY WAY IN WHICH THE EC PROVISION COULD BE APPLIED AGAINST THE U.S. SINCE WE DO NOT DIRECTLY OR INDIRECTLY SUBSIDIZE OUR EXPORTS. HE SAID THAT THE ADOPTION OF SUCH RULES WOULD BE CLEARLY AIMED AT PROTECTING EC PRODUCERS FROM BRAZIL. THUS, EC ADOPTION OF IMPLEMENTING RULES FOR THE COUNTERVAILING DUTY PROVISION OF THE BASIC FATS AND OILS REGULATION COULD EVEN HELP U.S. EXPORTERS. HE SAID THAT HE DID NOT ANTICIPATE AN IMMEDIATE REOPENING OF THE COMPLAINT AGAINST BRAZILIAN SOYBEAN MEAL, BUT THAT THE ADOPTION OF IMPLEMENTING RULES WOULD ENABLE THE COMMUNITY TO DEAL MORE QUICKLY AND EFFECTIVELY WITH BRAZIL IN THE FUTURE.

3. DEGERMINATION OF CORN. SCHIRATTI SAID THAT, AS INDICATED IN REF A, THE COMMISSION WAS NOW EXAMINING THE POSSIBILITY OF PROVIDING SUBSIDIES FOR THE DEGERMINATION LIMITED OFFICIAL USE

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OF CORN. THE IDEA WAS TO ENCOURAGE ANIMAL FEED MANUFACTURERS TO CRUSH CORN AND EXTRACT THE GERM BEFORE MIXING IT WITH ANIMAL FEED. THUS, THE CORN OIL WOULD BE AVAILABLE FOR HUMAN CONSUMPTION RATHER THAN, AS AT PRESENT, BEING FED TO ANIMALS. IF THE PROGRAM WERE SUCCESSFUL, MORE CORN OIL WOULD BE AVAILABLE FOR HUMAN CONSUMPTION WITHIN THE COMMUNITY; AT THE SAME TIME, THE CORN OIL EXTRACTED FROM THE ANIMAL FEED WOULD BE REPLACED BY TALOW AND OTHER LESS DESIRABLE FATS AND OILS. SCHIRATTI NOTED THAT THE SUBSIDIES WOULD NOT APPLY TO THE STARCH INDUSTRY WHICH, OF COURSE, ALREADY EXTRACTS THE CORN OIL. HE SAID THAT ITALY WAS PARTICULARLY INTERESTED IN THIS IDEA AND NOTED THAT THE COMMUNITY NORMALLY HAS DIFFICULTY IN OBTAINING CORN OIL ON THE WORLD MARKET. HE ESTIMATED CURRENT EC PRODUCTION AT 110,000 TONS; IF A SUBSIDY PROGRAM WERE ADOPTED, AN INCREASE IN CORN OIL PRODUCTION TO A LEVEL OF PERHAPS 150 TO 160,000 TONS MIGHT BE ENVISAGED UNDER OPTIMUM CONDITIONS (U.S. EXPORTS OF CORN OIL TO THE EC TOTALED ABOUT 16,000 AND 8,000 TONS, RESPECTIVELY, IN 1975 AND 1976; WE DO NOT HAVE DATA FOR 1977). SCHIRATTI EXPRESSED A GREAT DEAL OF PERSONAL ENTHUSIASM ABOUT THE IDEA, BUT ADMITTED THAT ADMINISTRATION OF SUCH A SYSTEM WOULD BE

EXTREMELY COMPLICATED. AS NOTED IN REF A, THE COMMISSION IS TO PRESENT PROPOSALS TO THE COUNCIL BEFORE JULY 1, 1978 IF, IN FACT, IT DECIDES THAT THE IDEA IS FEASIBLE.

4. SUBSIDIES FOR THE FEEDING OF FIELD PEAS AND BEANS: WE ASKED SCHIRATTI ABOUT THE POSSIBILITY OF THE COMMUNITY IMPOSING A SECURITY DEPOSIT REQUIREMENT ON THE IMPORTS OF FIELD PEAS AND BEANS NOW THAT THE SUBSIDY SYSTEM HAS BEEN ADOPTED BY THE COUNCIL. SCHIRATTI SAID THAT THE POSSIBILITY OF IMPOSING A SECURITY DEPOSIT REQUIREMENT ON IMPORTS REMAINED IN THE BASIC REGULATION ESTABLISHING THIS SYSTEM (REF C). HOWEVER, HE SAID THAT THE COMMISSION DID NOT INTEND TO USE THIS POSSIBILITY UNLESS IT WERE ABSOLUTELY NECESSARY - I.E., ONLY IF IT WERE FOUND THAT LIMITED OFFICIAL USE

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FEED MANUFACTURERS WERE FRADULENTLY COLLECTING SUBSIDIES FOR IMPORTED FIELD PEAS AND BEANS ON A SCALE SUFFICIENT TO DISRUPT THE SYSTEM. HE EXPRESSED HOPE THAT THE SECURITY DEPOSIT PROVISION WOULD ACT AS A DETERRENT AND PREVENT SUCH ABUSE. IN ANY CASE, SCHIRATTI INDICATED THAT THE COMMISSION HAD ALREADY ADVISED THE MEMBER STATES

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EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00
LAB-04 SIL-01 OMB-01 AGRE-00 /068 W
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R 191826Z MAY 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 6644
INFO ALL EC CAPITALS
USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 02 OF 02 BRUSSELS 09726

USEEC

THAT THERE WILL BE NO SECURITY DEPOSIT REQUIREMENT DURING
THE FIRST YEAR OF OPERATION OF THE SUBSIDY SYSTEM.
HINTON

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Message Attributes

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Draft Date: 19 may 1978
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Disposition Action: RELEASED
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Disposition Case Number: n/a
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